

BTR investment tops £2bn in H1



Radius



Funds backed 11,596 homes in fast-paced start to the year

BTR investment surges in 2021

Investment in build-to-rent is on course to break last year's record, after £2.4bn in finance backed 11,596 homes over the first half of 2021.

According to EG Radius, investors provided £739m to the sector in Q2, with 15 deals providing finance for 4,690 homes. This is a threefold increase on investment during the same period in 2020, although a drop on the Q1 total of £1.7bn.

The H1 investment of £2.4bn compares with just £1.1bn in the first six months of last year (backing 5,279 homes), putting the sector on track to eclipse 2020's £3.9bn total.

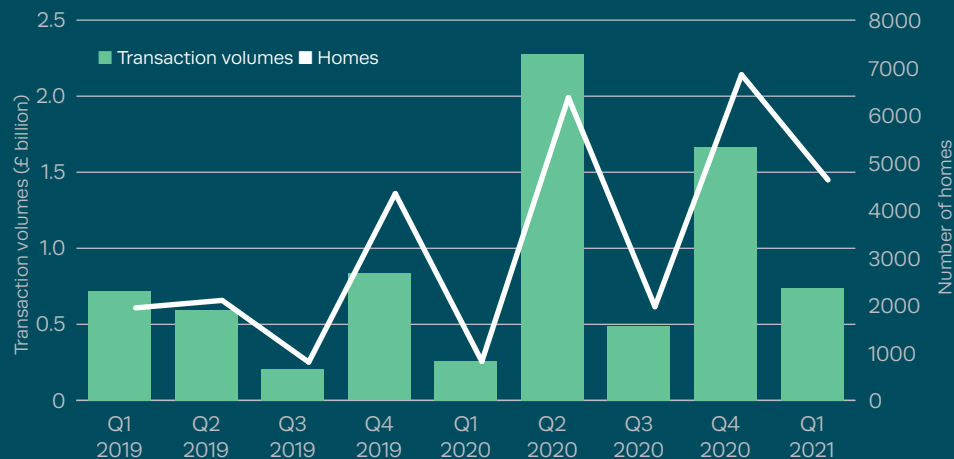
The biggest deal in Q2 was Swedish investor Heimstaden Bostad's £160m forward funding of Galliard Homes and Apsley House Capital's Soho Wharf in Birmingham (pictured). The 752-home scheme includes a combination of flats and townhouses spanning a 12-acre site to the north-west of the city centre.



The deal was the first for Heimstaden Bostad in the UK, building on a £15bn portfolio of more than 114,000 homes in continental Europe. Søren Vendelbo Jacobsen, co-chief investment officer at Heimstaden Bostad, said: "An entry into the British market is in line with our strategy to expand into strong and attractive European markets. By providing high-quality yet affordable homes in an up-and-coming area, we are well-positioned to capitalise on the growing rental market in Birmingham and the UK."

Other new entrants included Northwood Investors, which provided £75m in equity for Platform_'s 1,039-home regional portfolio in Sheffield, Glasgow and Cardiff, and Catella APAM's £32m Leicester buy from developer Watkin Jones.

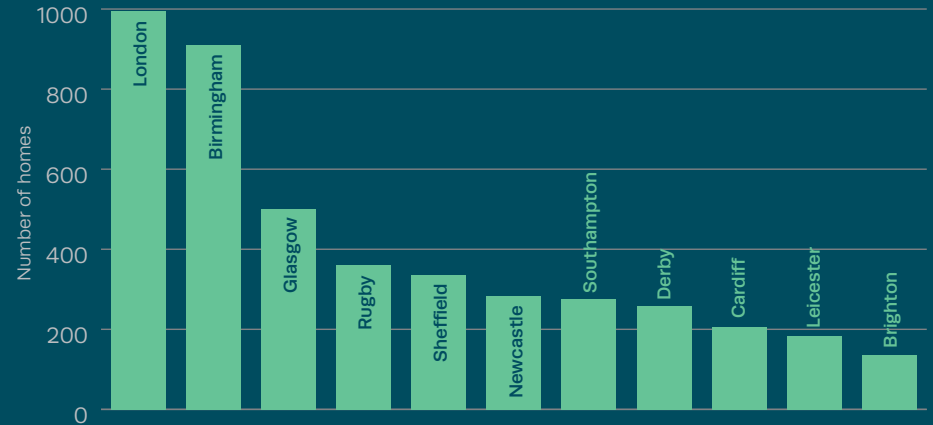
Transaction volumes



Source: EG Radius



Q2 2021 new homes by geography



Source: EG Radius

City spotlight

Some 76% of funds committed were outside the capital, with Birmingham attracting the most investment at £200m, closely followed by London at £174m.

The bulk of the deals were forward funding, but a handful of development site sales will see numbers further boosted as buyers seek to rework plans. In Leeds, Platform_'s 8-acre former Burberry site has capacity for around 800 homes. And in Battersea, Greystar aims to lift current plans for Big Yellow's York Road Business Centre from 168 flats to around 500.

In an exclusive interview with EG, Wes Fuller, executive managing director for global investment at Greystar, said: "Our business is never about

doing one thing. Not only do we invest across a geographic spectrum, we invest across a risk spectrum. We are developers investing in the opportunistic side of the business, we also buy core-plus assets, and this [latest] vehicle is a value-add strategy."

Fuller said the European strategy will follow the trajectory of the US, after 30 years in the sector. He added: "We are building out our regional network of local teams. We are building out our ability to invest, to build student housing, multifamily, senior housing and single-family rental. We are building out our

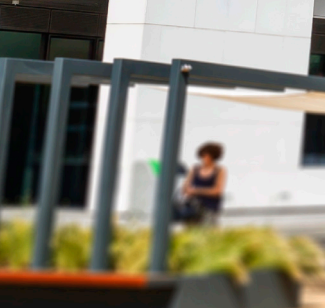
investment strategies, we can develop assets and we have a significant pipeline."

The Q2 investment totals do not include Legal & General's £350m commitment to Bristol Temple Island, which will feature 550 flats, including 200 affordable homes, as the investor has yet to confirm the BTR backing. L&G has already committed £310m to nearby BTR. The investor will now launch the first phase of its public consultation on the plans for Temple Island.

Over the past 12 months investors have committed more than £5.1bn, funding some 20,000 new homes.

“ We are building out our investment strategies, we can develop assets and we have a significant pipeline.”

Wes Fuller, executive managing director for global investment at Greystar



Diversity in development

The second quarter saw developers lodge plans for the second highest number of homes at BTR schemes, falling just behind Q3 last year.

In Q2 2021, EG Radius tracked 13,212 homes across 26 schemes, which is a 34% increase on Q1 totals. So far in 2021, there have been 23,071 homes proposed at 51 BTR schemes.

The total number of homes is an indication only of how many homes are planned in these schemes because, in some cases, applications have indicated a range or a level of flexibility regarding tenure.

More than half of the homes planned (58%) were in London Boroughs, with a further 12% in Birmingham and 9% in Nottingham.

Analysis from EG reveals a large variety of accommodation in the pipeline, with almost 2,000 beds dedicated to co-living and 2,200 student accommodation, compared to 7,224 flats. There was also a mix of high rise and suburban BTR, as well as larger mixed tenure regenerations.

The largest scheme to include BTR came from Renewal, planning 3,500 homes at the £2bn New Bermondsey regeneration next to Millwall Football Club, SE15. The first phase will see 600 rental homes, of

which 400 will be private and 200 will be affordable. However, the larger pure rental proposal came from Birmingham developer Woodbourne Group – proposing more than 1,600 flats, including 732 student beds, 620 BTR flats and 265 co-living beds at its Curzon Wharf site. The tallest tower rises to 52 storeys and the development will be Woodbourne's largest to date.

Another notable schemes include Legal & General first plans from its suburban BTR division with 124 homes in Horsham, alongside new plans from BTR developers Quintain in Wembley and Watkin Jones in Wrexham.



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BTR Investment: Q2 2021

Elsewhere, Moda Living and London Square have been advancing plans for BTR at the Royal Mail site in Nine Elms, SW8, after exchanging contracts on the £100m acquisition earlier this year. Canary Wharf Group is also expected to lodge plans for a 60-storey BTR scheme at 1 Park Place, E14, which would be the tallest in the UK.

A number of new ventures from household names Lloyds, John Lewis and Macquarie, all kick-started during the quarter, promise to further bolster the pipeline.

Dana Gibson, co-head of Macquarie Asset Management's Real Estate team

in Europe told EG: "If you really want to own anything to scale in this market, you're going to have to build it." As the Australian bank seeks to deploy £1bn in the sector it will rely on ground up development, but standing stock and M&A are not off the table.

"The primary focus is develop-to-core with a gear towards long-term hold," said Gibson. "We want to cast the widest possible net and don't want to get caught only doing luxury or affordable. Every market has different needs and wants – our products will be differentiated by the market where they sit and the market they serve." ■

